Health Care Task Force
October 15, 2001

Finance Working Group:
Report on Physician Issues

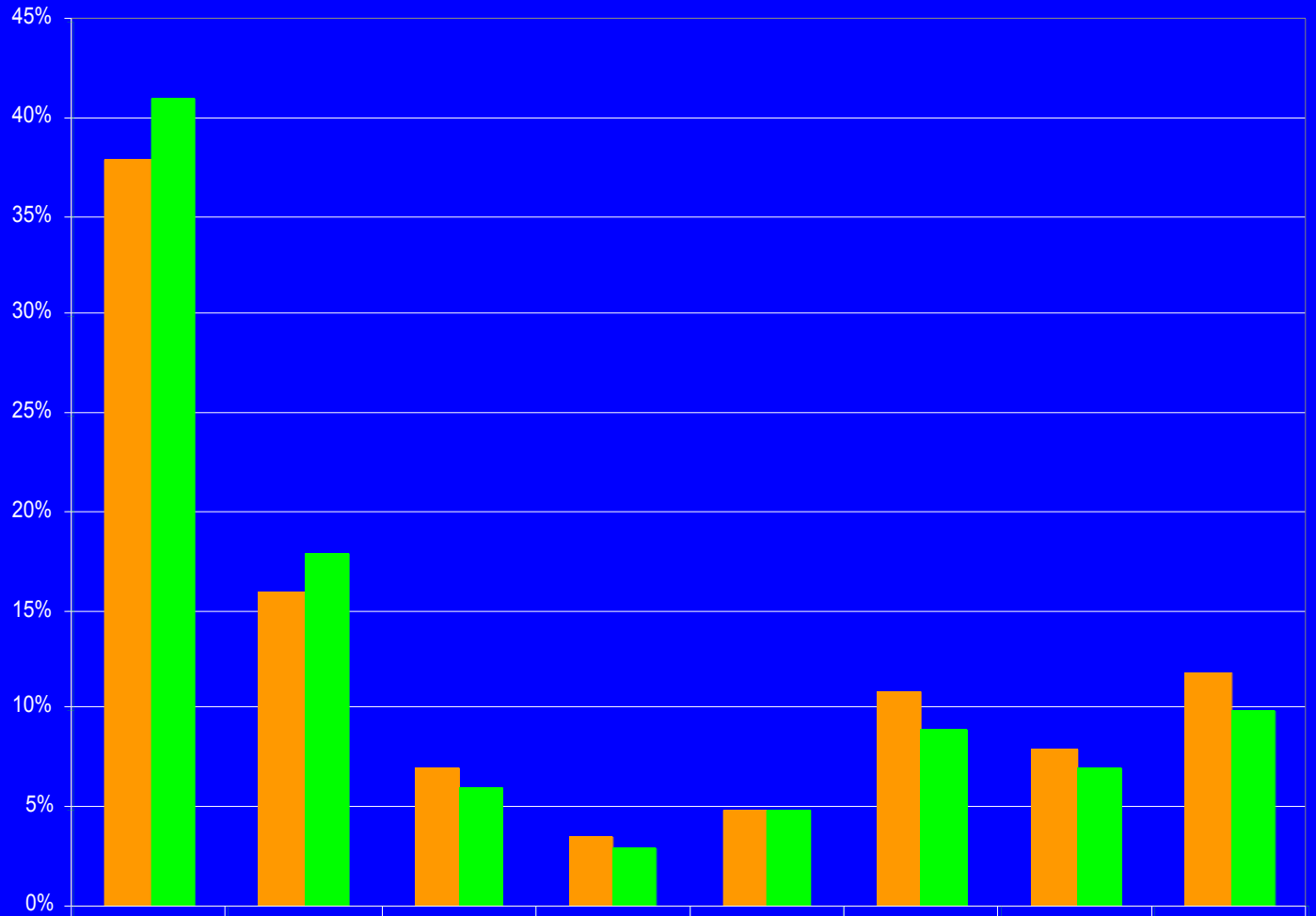
State Health Policy Goals

- Fair Payment: Medicaid payment for a particular service should cover a reasonable percentage of the necessary cost of efficiently delivering that service.
- Medicaid Access Preservation: Medicaid policy should work to ensure reasonable access to services for and by Medicaid enrollees.
- System Stability: The state should work to preserve and stabilize the delivery system, preserving those services necessary to protect the health of all residents.

Physician Concerns

- Physician practice conditions are deteriorating.
- Payment for physician services has not kept pace with cost increases.
- Massachusetts physician income level lags behind many other areas.
- Recruitment and retention are becoming more problematic.

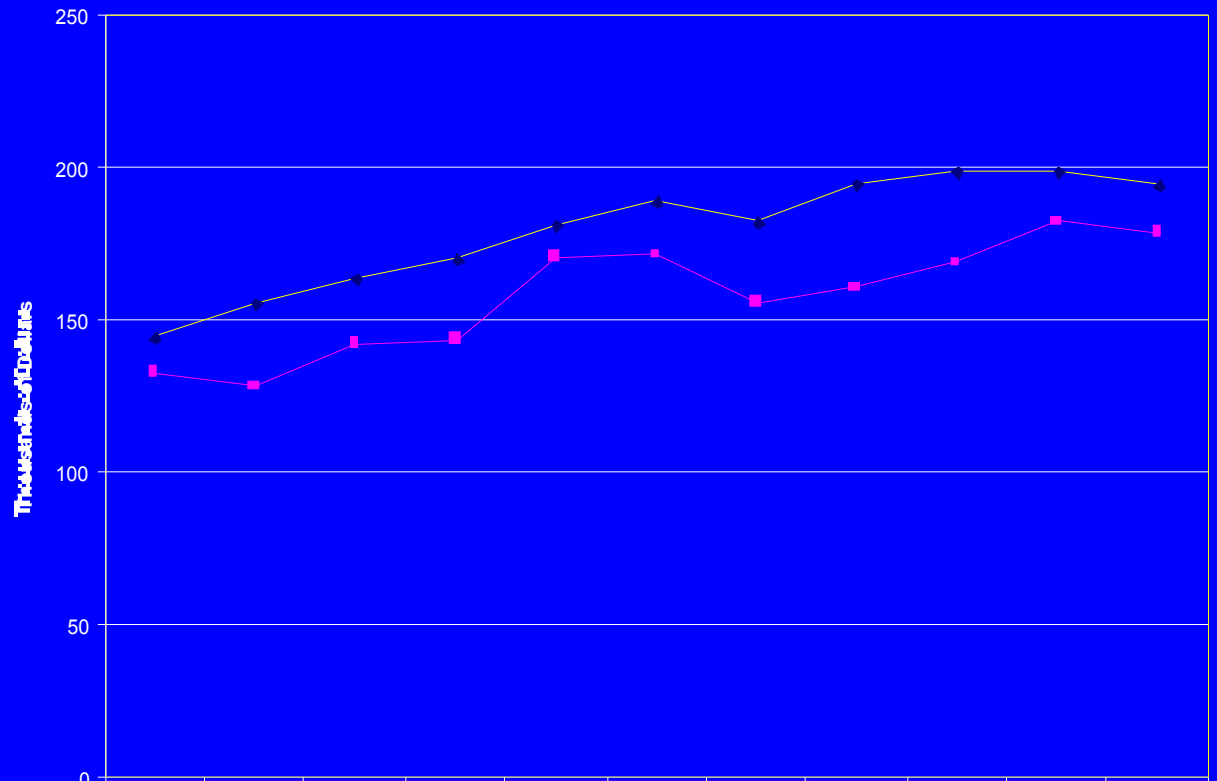
Distribution of Physician by Practice Setting (U.S)



	Solo/2 physicians	Small Group	Medium Group	Large Group	Staff/Group HMO	Hospital-Owned	Medical School	Other
1998-99	0.38	0.16	0.07	0.035	0.05	0.11	0.08	0.12
1996-97	0.41	0.18	0.06	0.029	0.05	0.09	0.07	0.1

Mean Physician Net Income (New England Vs. U.S)

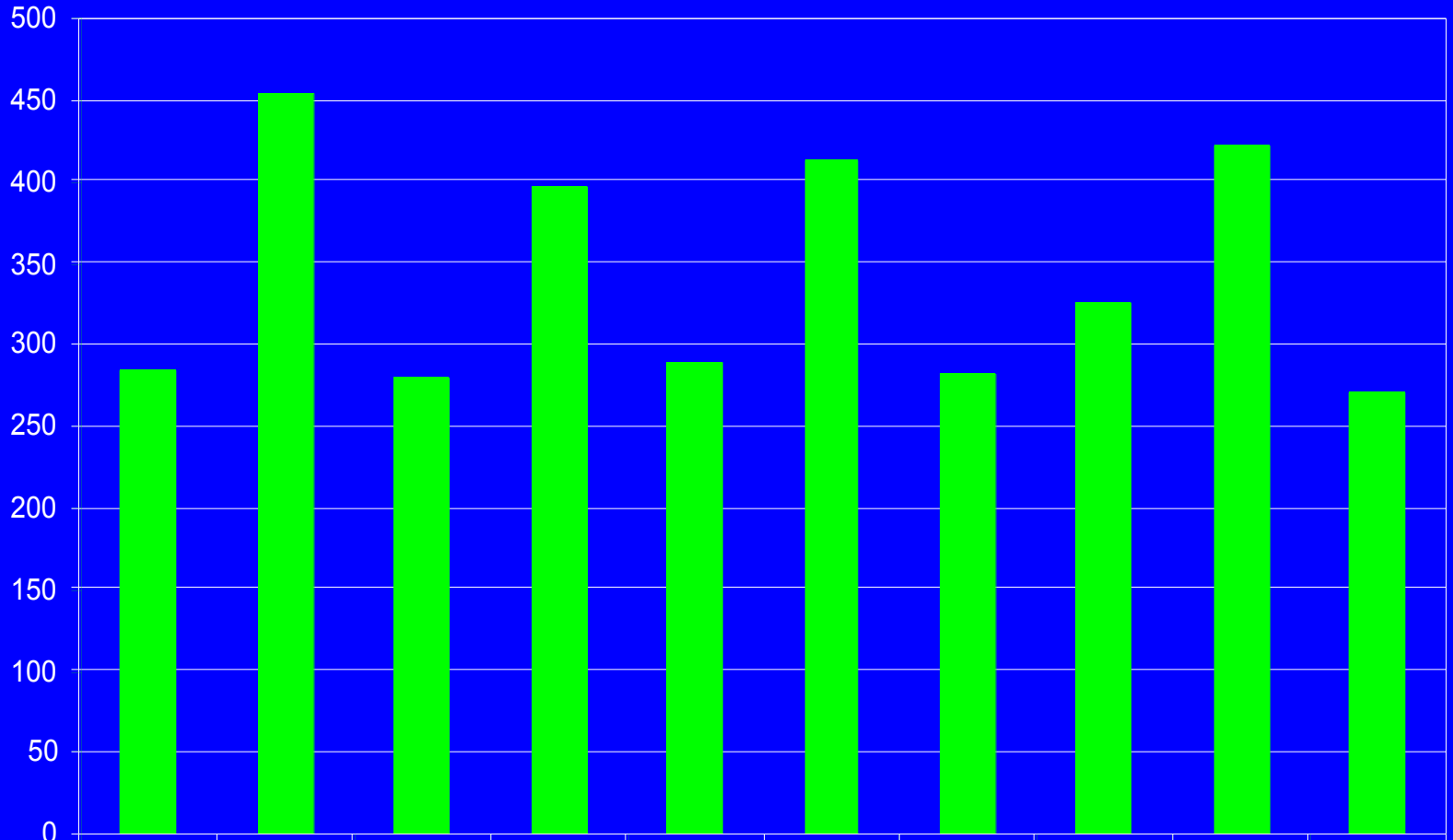
After Expenses Before Taxes



	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
US	144.7	155.8	164.3	170.6	181.7	189.3	182.6	195.5	199	199.6	194.4
New England	132.9	128.3	142.5	143.8	171.2	171.5	156.4	161	169.1	182.5	178.9

Source: AMA

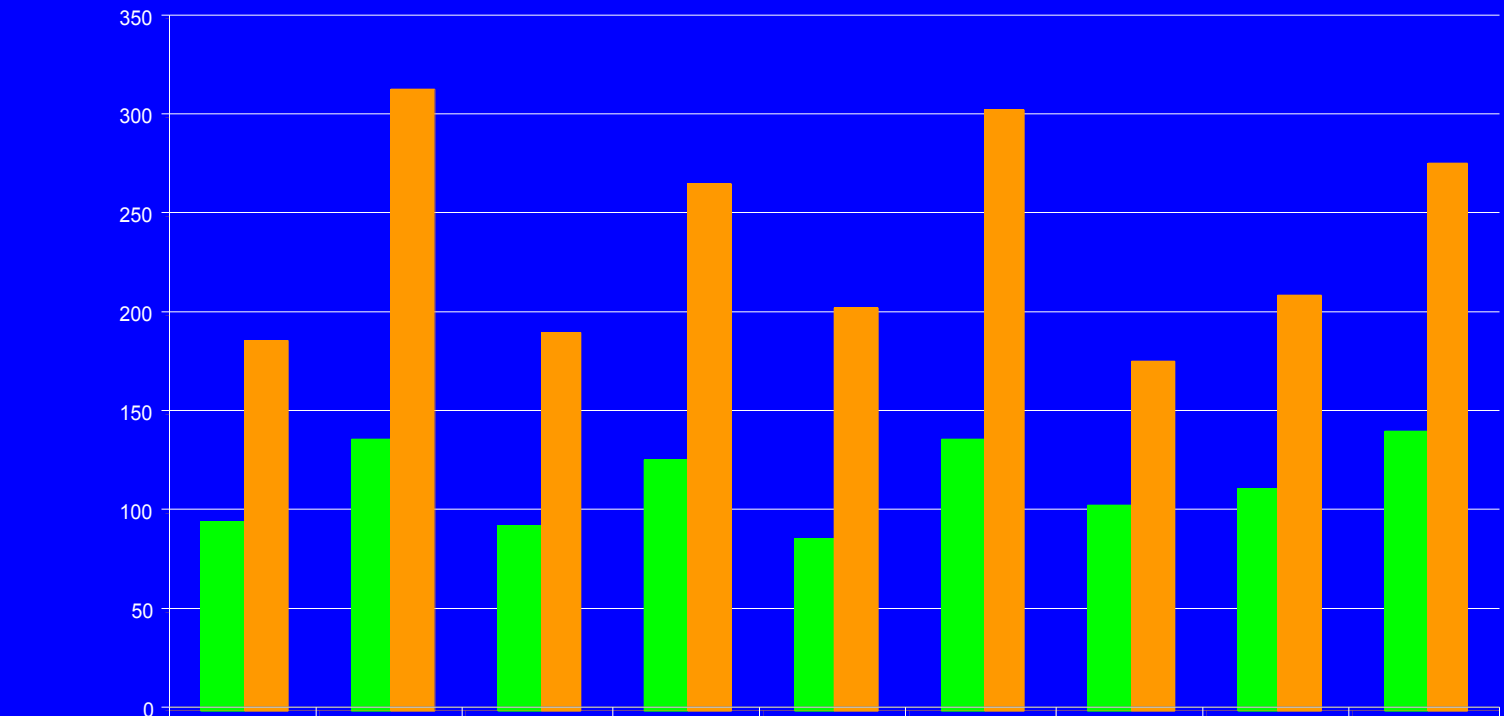
Rate of Nonfederal Physicians per 100,000 Civilian Population, 1999



	US	MA	CA	CT	FL	MD	MN	NJ	NY	WA
Physician rate	285	454	280	397	290	413	282	327	423	272

Source: AMA, taken from www.statehealthfacts.kff.org

Rate of Non-Federal Primary Care and Specialist Physicians per 100,000 Civilian Population, 1998

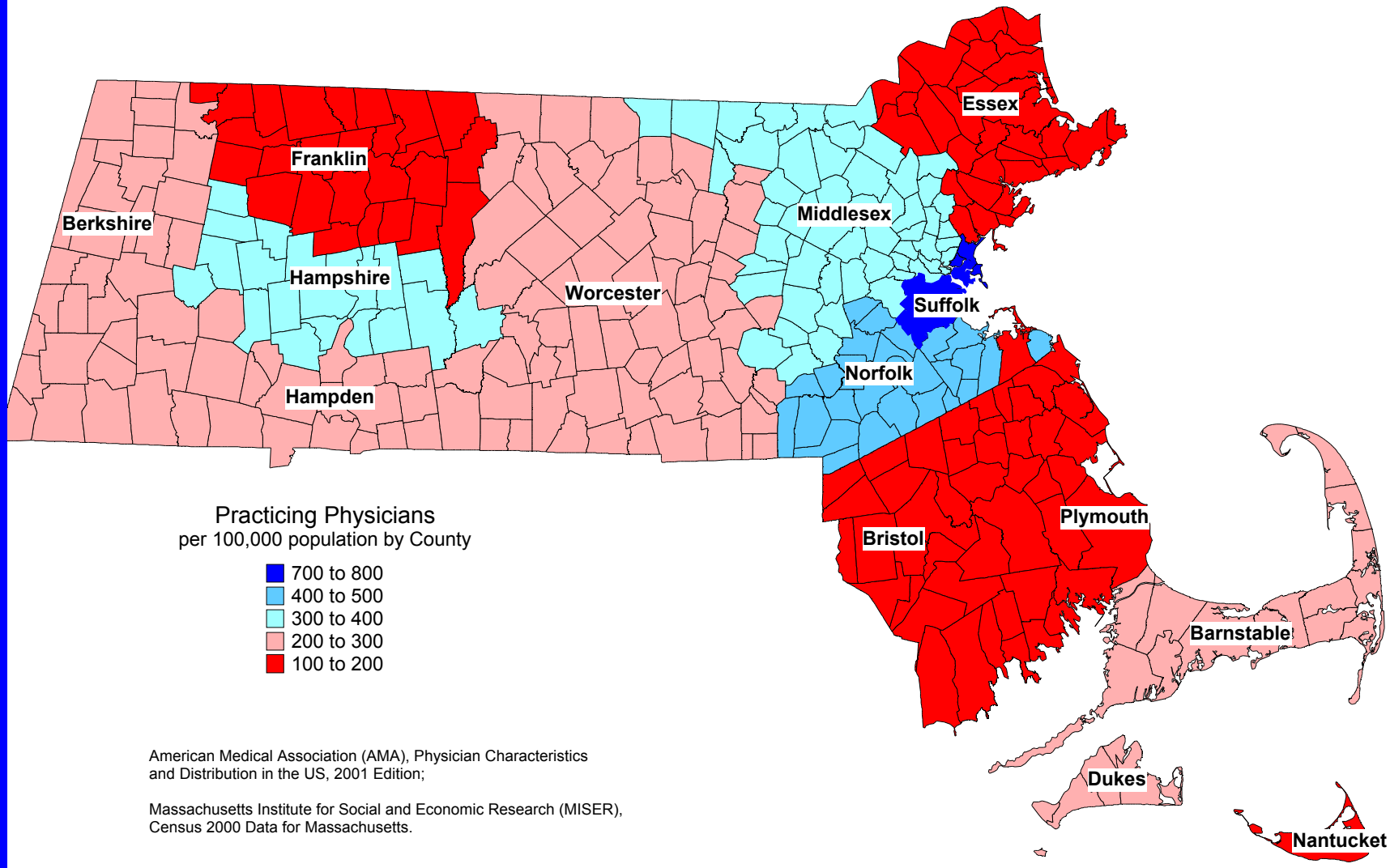


	US	MA	CA	CT	FL	MD	MN	NJ	NY
Primary Care	96	136	93	127	86	137	104	113	142
Specialists	187	313.8	191.3	266.1	204.6	303.5	177.1	209.8	277.4

Primary care includes family/general practice, internal medicine, obstetrics/gynecology and pediatrics.

Source: AMA

Practicing Physicians per 100,000 Population, by County



American Medical Association (AMA), Physician Characteristics and Distribution in the US, 2001 Edition;

Massachusetts Institute for Social and Economic Research (MISER), Census 2000 Data for Massachusetts.

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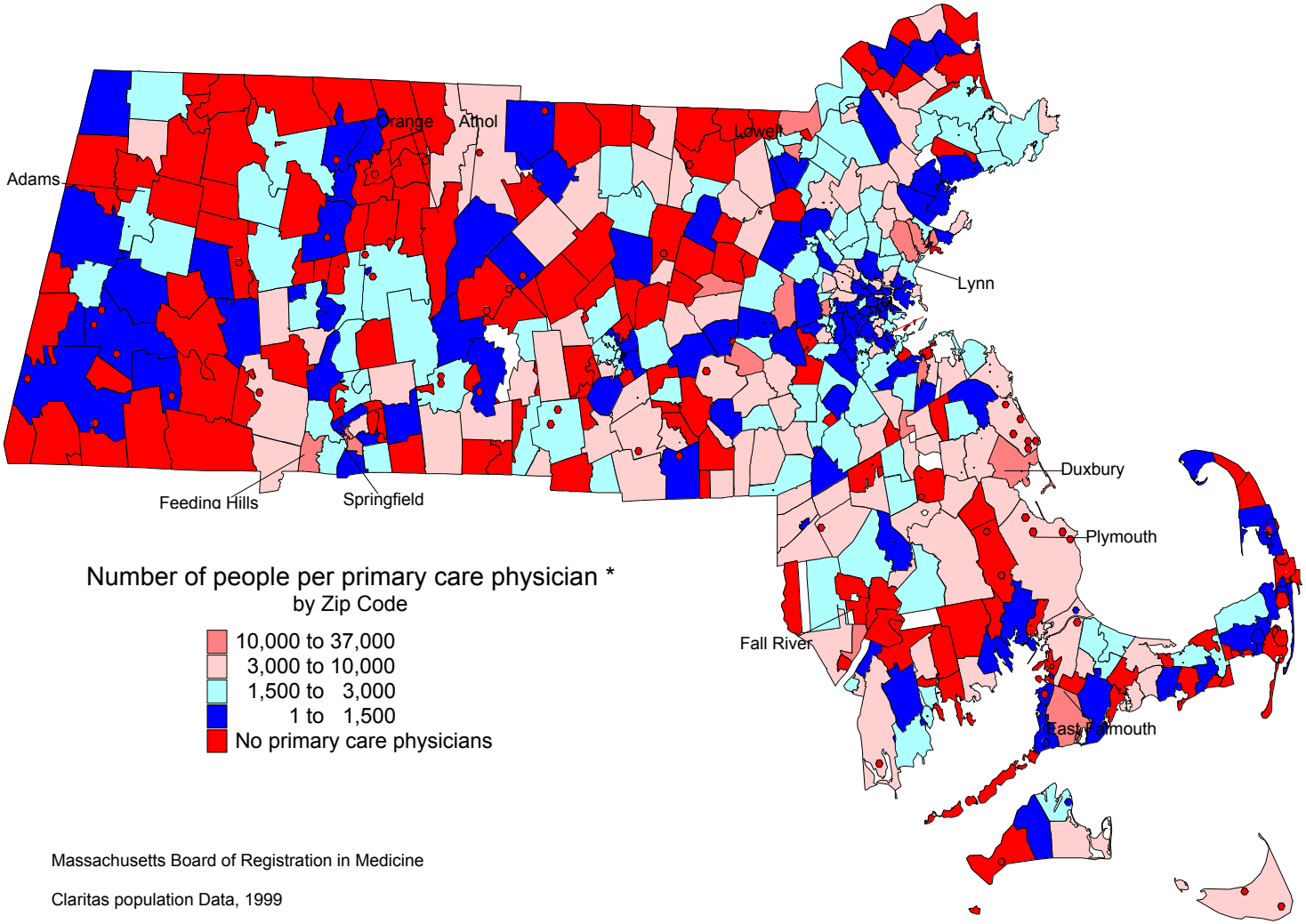
October 15, 2001

Number of People per Primary Care Physician by Zip Code



Massachusetts Board of Registration in Medicine

Claritas population Data, 1999

* (includes family medicine, general medicine, internists, pediatricians, and ob, ob/gyn practitioners).

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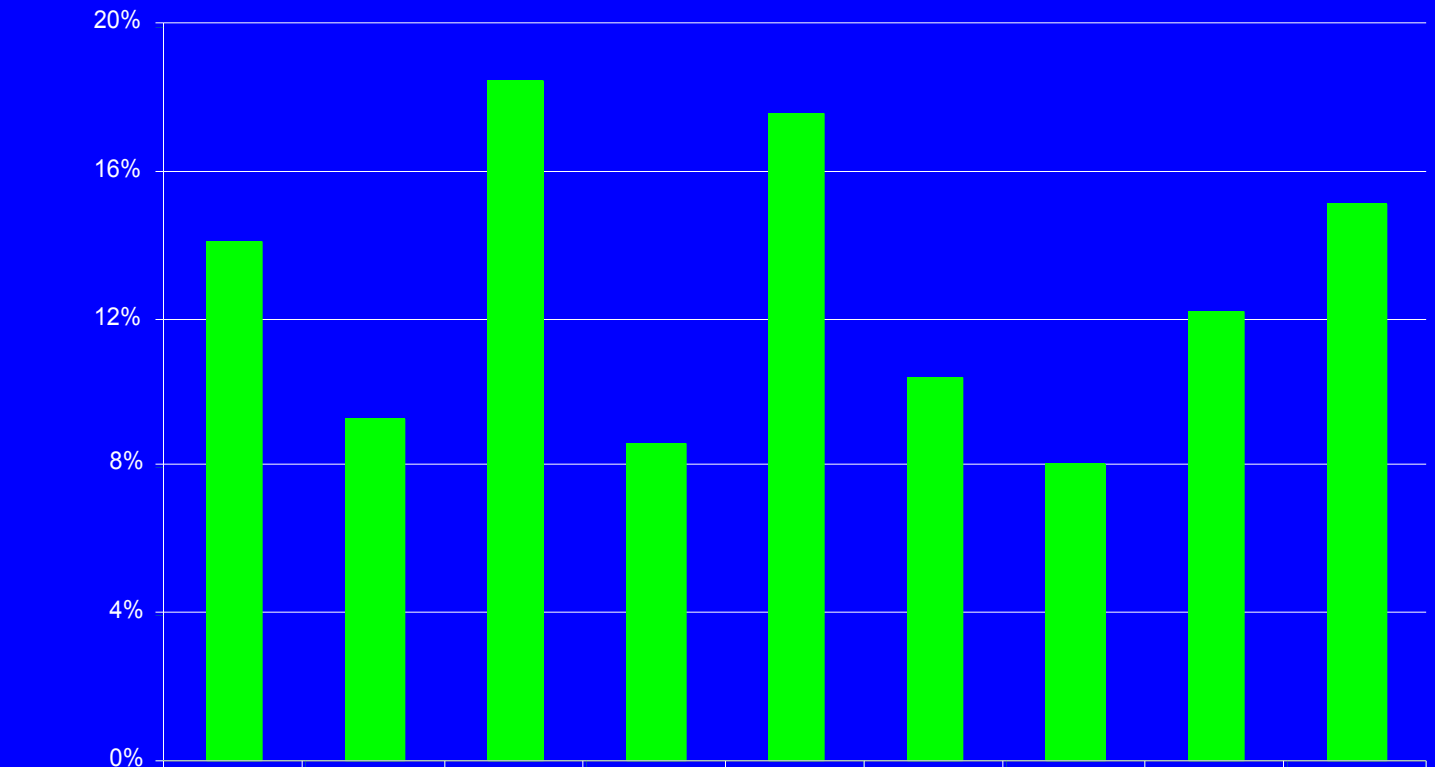
Our Findings

- Access: There is no shortage of physicians in Massachusetts.
- At Risk: Recruitment for top-level positions could be becoming more challenging.

Options for State Intervention

- Medicaid reimbursement changes
- Legislative or regulatory initiatives
- Use of GIC purchasing power as a market force

Percent Uninsured, 1999-2000*

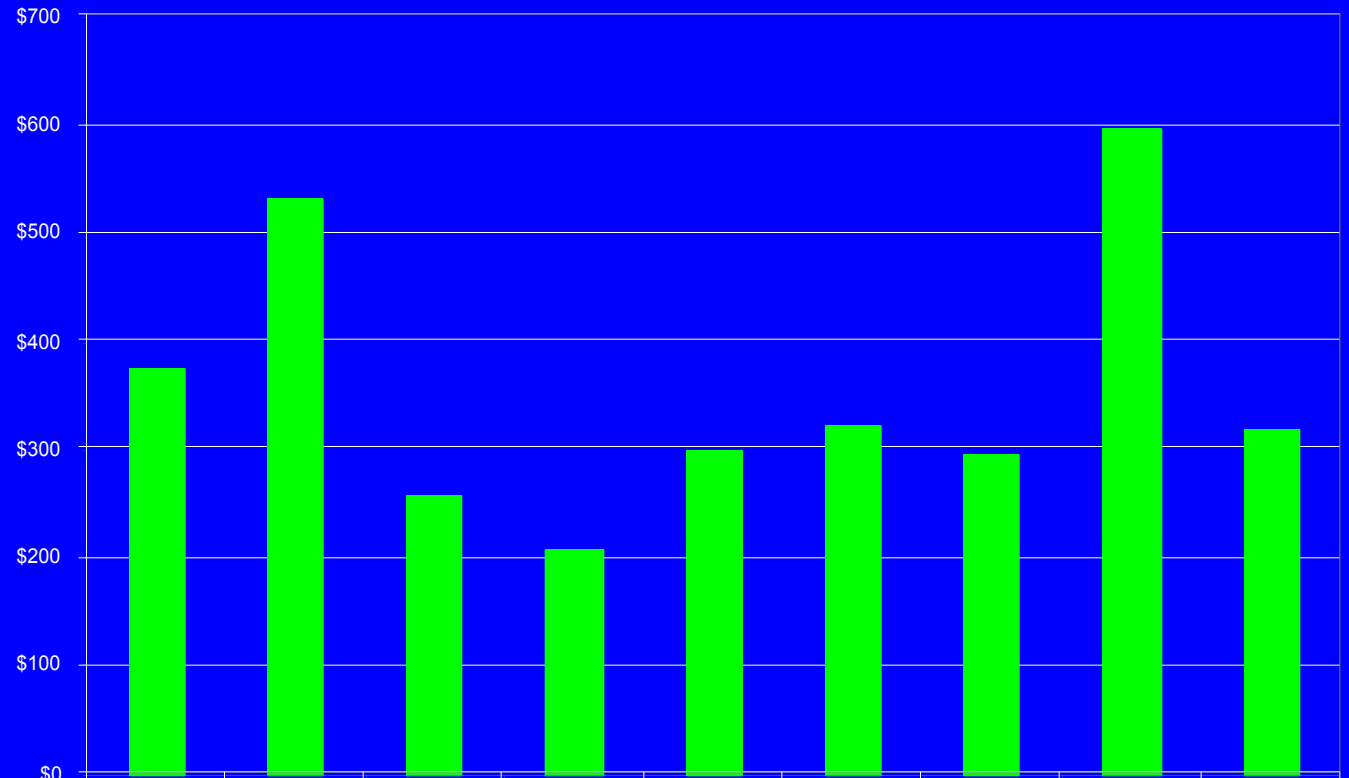


	US	MA	CA	CT	IE	MD	MN	NJ	NY
% Uninsured	0142	0093	0185	0087	0176	0104	0081	0122	0151

Source: US Census Bureau, Current Polulation Survey (CPS)

*These percentages are reported as two year averages of 1999 and 2000 CPS figures.

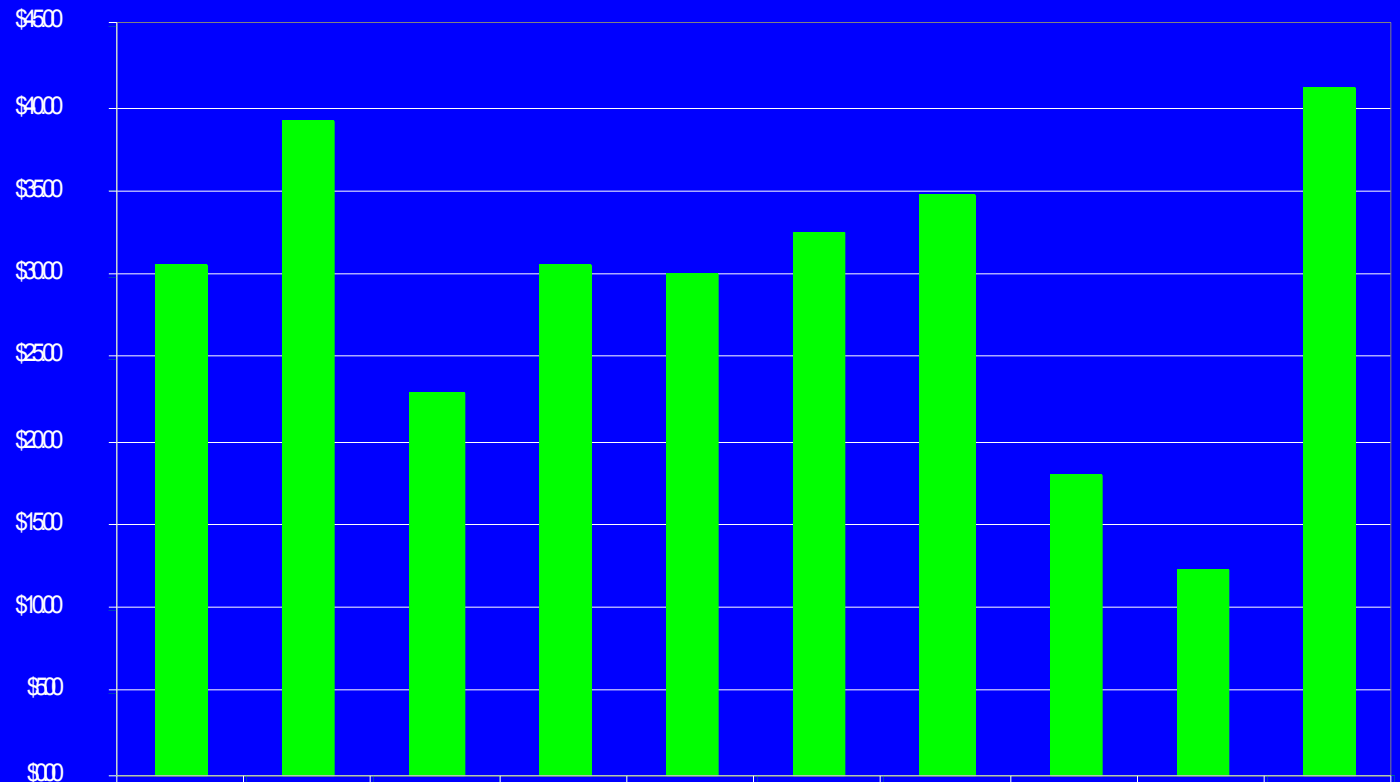
Medicaid Spending on Physicians Per Enrollee (1998 Estimates)



	[illegible]	MA	[illegible]	[illegible]	FL	MD	MN	[illegible]	[illegible]
$ per Enrollee	377	533	259	210	300	324	296	598	320

Source: HCFA, 1999

1998 Average Medicaid Fees for Primary Care Visits



	US	MA	CA	CT	IE	MD	MN	NJ	NY	VA
PrimaryCare	3059	3923	2303	316	3024	3259	3495	1798	1235	413

Source: Urban Institute, 1999

Recommendations

- Target Medicaid Rate Increases to Further Medicaid Program Goals and System Stability.
- Continue implementing RBRVS System.
- Include a recognition of cost increases in that system.

Recommendations

If additional funding is scarce:

- Emphasize services of particular importance to Medicaid enrollees (e.g., primary care).
- Emphasize community-based, lower cost settings.
- Recognize physicians whose practice has a significant percentage of Medicaid enrollees.

Cross-Over Claim Example

		Office Visit, Established Patient, Level 3	
		CURRENT	PROPOSED
1	Medicare Fee 2000	52.28	52.28
2	Medicare Payment (.8 * L.1)	41.82	41.82
3	Patient Liability (2*L.2)	10.46	10.46
4	Medicaid Fee 2000	43.99	43.99
5	Medicaid Payment	10.46	2.17
6	Total Received by Physician (L.2 + L.5)	52.28	43.99

Source: DHCFP

Recommendations

- Proceed cautiously with Cross-over Claims Policy Changes:
  - Use Medicaid fee schedule for Medicaid payments.
  - Pursue federal reimbursement for incremental Medicare allowable fees.

Recommendations

- Maintain commitments to broad eligibility and primary care.
- Pursue administrative simplification in coordination with physicians.
- Explore capitation programs supported by data.
- Collect data and monitor conditions of physician practices.